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ANNE MARIE LANGAN  
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TO: Victor M. Mercado, Director  
Chief of Utilities

FROM: Irvin Corley, Jr., Fiscal Analysis Director **ly.**

DATE: May 5, 2008

RE: 2008-2009 Budget Analysis

Attached is our budget analysis regarding your department's budget for the upcoming 2008-2009 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers  
Council Divisions  
Auditor General's Office  
Norman White, Finance Department Director  
Pam Scales, Budget Department Director  
Ervin Stewart, Budget Department Team Leader  
Kerwin Wimberly, Mayor's Office

## Sewerage Department (42)

### FY 2008-2009 Budget Analysis by the Fiscal Analysis Department

#### Summary

The Sewerage Department is an Enterprise Agency that is administratively part of the Detroit Water and Sewerage Department (DWSD). It is maintained as a separate fund in the City of Detroit's accounting system.

The Mayor's Proposed Budget for 2008-2009 includes total appropriations and revenues of \$432,555,618, leaving a net tax cost to the City of \$0. This is an increase of \$19,139,730. The increase is primarily due to the rate increase for sewage treatment.

#### 2007-2008 Surplus/Deficit

There is no projected surplus or deficit for the Sewerage Department for fiscal year 2007-2008.

#### Overtime

The Mayor's Proposed Budget for 2008-2009 includes \$6,410,349 for overtime in the Sewerage Department. This amount is \$14,200 more than the 2007-2008 Budget of \$6,396,149. As of March 31, 2008, the Sewerage Department has expended \$4,666,133 in overtime.

#### Personnel and Turnover Savings

There are no projected personnel and turnover savings for fiscal year 2008-2009.

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2007-08</u>	<u>Filled Positions 3/31/2008</u>	<u>Mayor's Budget Positions FY 2008-09</u>	<u>Over/(Under) Actual to 07/08 Budget</u>	<u>Mayor's Recommended Turnover</u>
<b>Sewerage (42)</b>					
421030 Document Management	6	4	7	(2)	\$ -
421070 Safety	3	1	6	(2)	\$ -
421090 Ofc. Of Program Management Asst.	18	15	17	(3)	\$ -
421100 Print Shop	3	2	3	(1)	\$ -
<b>00089 Administration</b>	<b>30</b>	<b>22</b>	<b>33</b>	<b>(8)</b>	<b>\$ -</b>
425010 Ofc. of Asst. Dir. of Wastewtr. Opns.	6	4	6	(2)	\$ -
425020 Plant Administration	904	589	876	(315)	\$ -
425140 I.W.C. Field Monitoring	112	73	112	(39)	\$ -
<b>00162 Wastewater Plant Operations</b>	<b>1,022</b>	<b>666</b>	<b>994</b>	<b>(356)</b>	<b>\$ -</b>
<b>05831 Engineering Services-Sewage</b>	<b>124</b>	<b>83</b>	<b>124</b>	<b>(41)</b>	<b>\$ -</b>
42XXXX Leave of Absence	0	(5)	0	(5)	\$ -
42XXXX Worker's Comp.	0	(4)	0	(4)	\$ -
42XXXX Unmatched Positions	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>\$ -</u>
<b>TOTAL</b>	<b><u>1,176</u></b>	<b><u>763</u></b>	<b><u>1,151</u></b>	<b><u>(413)</u></b>	<b><u>\$ -</u></b>

### Projected Layoffs and Position Changes

There are no proposed layoffs for the Sewerage Department in the Mayor's Proposed Budget for 2008-2009. The Mayor's Proposed Budget for 2008-2009 includes a net reduction of 25 positions.

### Significant Funding Changes by Appropriation

<u>Appro.</u>	<u>Program</u>	
00089	Administration	<p>The Mayor's Proposed Budget for 2008-2009 includes \$27,875,702 for the Administrative Services of the Sewerage Department, which represents a decrease of \$13,324,588 from the 2007-2008 Budget of \$41,200,290. The decrease is mainly due to the shifting of the information technology services and the pumping station operations into a new appropriation.</p> <p>The \$13,324,588 decrease is due to a \$1,860,259 decrease in Salaries and Wages, a \$2,161,063 decrease in Employee Benefits, a \$75,000 decrease in Operating Supplies, a \$1,587,220 decrease in Operating Services, and a \$7,641,046 decrease in Other Expenses.</p>
12449	Information Technology Systems Integration and Organization Operations	<p>The Mayor's Proposed Budget for 2008-2009 includes a total of \$11,171,895. The proposed budget amount primarily consists of Other Expenses of \$4,566,388; Operating Services of \$2,838,070; Salary and Wager of \$2,162,081; Employee Benefits of \$1,530,356, and Operating Supplies of \$75,000. There was no appropriation budgeted in 2007-2008.</p>
00090	Financial Services Group	<p>The divisions included in this appropriation were previously included in the Administration appropriation (Appropriation number 00089).</p> <p>The Mayor's Proposed Budget for 2008-2009 includes \$5,230,979 for the Financial Services Group, which represents a decrease of \$231,825 from the 2007-2008 Budget of \$5,462,804.</p> <p>The decrease is due to a \$549,386 decrease in Other Expenses and a \$4,706 decrease in Employee Benefits offset by a \$321,123 increase in Salaries and Wages and a \$1,144 increase in Operating Supplies.</p>
00161	Asset Maintenance Group	<p>The Mayor's Proposed Budget for 2008-2009 includes \$13,080,139 for the Asset Management Group, which represents an increase of \$2,196,145 from the 2007-2008 Budget of \$10,883,994.</p> <p>The increase is mainly due to an increase of \$749,775 in Salaries and Wages, a \$484,886 increase in Employee Benefits, a \$265,000 increase in Professional and Contractual Services, a \$122,300 increase in Operating</p>

Supplies and a \$532,584 increase in Other Expenses.

05831 Engineering Services The Mayor's Proposed Budget for 2008-2009 includes \$2,802,678 for Engineering Services, which represents an increase of \$579,335 from the 2007-2008 Budget of \$2,223,343.

The increase is largely due to an increase in Salaries and Wages of \$57,670 and a \$489,833 in Employee Benefits along with other miscellaneous increases.

00162 Wastewater Plant Operations The Mayor's Proposed Budget for 2008-2009 includes \$142,437,275 for Wastewater Plant Operations, which represents an increase of \$7,479,018 from the 2007-2008 Budget of \$134,958,257.

The increase is largely due to an increase of \$4,572,745 in Employee Benefits, a \$8,465,766 increase in Professional and Contractual Services and an increase of \$1,617,595 for Operating Supplies, offset by decreases of \$4,134,874 in Operating Services and a \$2,313,440 decrease in Salaries and Wages.

00168 Bond Principle & Interest Redemption Fund The Mayor's Proposed Budget for 2008-2009 includes \$229,956,950 under appropriations 00168, 00169, 00443, and 05735 for the Bond Principle & Interest Redemption Fund appropriation, which represents an increase of \$11,269,750 from the 2007-2008 Budget of \$218,687,200.

The increase is largely due to the \$9,310,100 Interest on Bonded Debt and Retirement of Debt – Principal.

#### **Sewerage (42)**

Budgeted Professional and Contractual Services by Activity	FY 2007-08 Budget	FY 2008-09 Recommended	Increase (Decrease)
Administrative Services	\$ 3,640,000	\$ 3,640,000	\$ -
IT & System Integration	-	-	-
Financial Services	-	-	-
Asset Management	2,313,000	2,578,000	\$ 265,000
Engineering Services-Sewage	-	-	-
Sewer Operations	16,632,711	25,098,477	\$ 8,465,766
Sewerage-Capital & Debt Service	-	-	-
<b>Total</b>	<b><u>\$ 22,585,711</u></b>	<b><u>\$ 31,316,477</u></b>	<b><u>\$ 8,730,766</u></b>

## Significant Revenue Changes

### Revenue   Project

00838	State Revenue Sharing	The Mayor's Proposed Budget for 2008-2009 includes \$3,801,400 for State Revenue Sharing Revolving Loan Fund, which represents a decrease of \$4,921,900 from the 2007-2008 Budget of \$8,723,300.  The decrease is due to a decrease of the earnings on investment.
04828	Revenue-Sewerage Receiving	The Mayor's Proposed Budget for 2008-2009 includes revenue of \$421,386,218, an increase of \$23,171,130 from the 2007-2008 Budget of \$398,215,088.  The increase is primarily due to a \$13,595,400 in Sewage treatment sales, a \$11,139,900 increase in revenue from sewage treatment sales-wholesale offset by a \$1,217,900 decrease in pollutant surcharges.  The budget assumes passage of the 2008-09 sewage rates.
4829	Revenue-Sewerage Operation-Maintenance	The Mayor's Proposed Budget for 2008-2009 includes revenue of \$695,700, an increase of \$87,700 from the 2007-2008 Budget of \$608,000.  This is due to an increase from the earnings on investment.
00168	Interest and Bond Redemption	The Mayor's Proposed Budget for 2008-2009 includes revenue of \$4,879,800, an increase of \$623,200 from the 2007-2008 Budget of \$4,256,600.  The increase is due to an increase from the earnings on investments.
00169	Sewerage System Improvements	The Mayor's Proposed Budget for 2008-2009 includes \$586,500, an increase of \$133,500 from the 2007-2008 Budget of \$453,000.  The increase is due to an increase from the earnings on investments.
00443	Extraordinary Repairs and Replacement	The Mayor's Proposed Budget for 2008-2009 includes \$1,206,000, an increase of \$46,100 from the 2007-2008 Budget of \$1,159,900.  The increase is due to an increase from the earnings on investments.

### Issues and Questions

1. Why is the department losing 25 positions?
2. If the City Council does not approve the sewerage rate increase, what affect will this have on the department's operations?
3. Will the two parcels of land the department is planning to by from the Planning and Development Department be put into service immediately? What is the timetable for developing the parcels?